

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Date: **4/10/2014**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

UIL: 4945.04-04

LEGEND

X= Program Name

Z= Location Name

t= number

u= quantity

v dollars = amount

w= quantity

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures will not be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called X.

Your purpose is to accept contributions and to use the contributions to make grants to other charitable and/or educational 501(c)(3) organizations such as churches and schools.

The purpose of X is to establish a scholarship program to assist students who do not qualify for academic or athletic scholarships and who have overcome difficulties to graduate from high school and attend college. The scholarship must be used for tuition, laboratory fees, dorm fees, books and similar items at his/her educational institution.

You intend to award in the range of u scholarships per year in the amount of v dollars to students in Z school district. Depending on funds available, the amount of the scholarships or the number of scholarships granted in a year may increase. Moreover, as funds become available, you may extend X to neighboring school districts.

Recipients for all scholarships must meet the following qualifications:

- a) Academic Ability. The recipient must show sufficient academic ability (demonstrated by prior academic performance or performance on tests designated to measure ability and aptitude) to enable the recipient to complete courses of study necessary to graduate from the educational institution selected by the recipient.
- b) Financial Need. The recipient must demonstrate financial need for assistance for his/her education. Financial need shall be determined by standards established by the educational institution and any other factors determined to be relevant.
- c) Recipient's Educational Institution. The recipient must attend any post-secondary educational institution determined to be reputable and in good standing with governmental agencies regulating such institutions. This will include a college, university, and trade or business school.
- d) High School Graduate. The recipient must be a graduate of high school (or be about to graduate from high school) or have received an equivalent education or degree.
- e) Personal Qualities. The recipient must have demonstrated such character and motivation to obtain an education that he/she may be expected to work hard and seriously to continue and complete his/her education.

Initially, you will make your program known to students at various schools located in Z school district through the principals or other proper representatives at each school. You will be identified on the list of potential scholarship donors provided by Z school district to its graduating students and shall make available written applications to be completed by eligible students. You anticipate up to w applications in your first few years.

Your directors will be on the scholarship selection committee. Any individual who is a lineal descendant of any of your officers or directors shall not be eligible for scholarships. Furthermore, individuals who are disqualified persons as described in Section 4946(a)(1) of the Internal Revenue Code of 1986 or lineal descendants of disqualified persons shall be ineligible for scholarships.

The student shall submit his/her written request for the scholarship through the school and the selection committee will review the requests and make its determination regarding the granting of the scholarships in accordance with the provisions set forth herein:

- a) The selection committee will consider the applicant's GPA, SAT or ACT scores; in addition, an applicant must have a minimum GPA of t;
- b) The applicant will be asked to write an essay describing any difficulties the applicant overcame to graduate and how the applicant overcame the difficulties;
- c) You define financial need to be the difference between the applicants anticipated educational cost and the applicants expected family contribution as determined by the standards established by the applicant's educational institution;
- d) Because your overarching purpose is to assist students who do not qualify for academic or athletic scholarships and who have overcome difficulties to graduate from high school and attend college, you will consider the likelihood whether an applicant would qualify for an academic or athletic scholarship when evaluating an applicant's financial need. In determining whether an applicant would likely qualify for an academic or athletic scholarship, you will review the applicant's transcripts and a resume of the applicant's athletic achievements. Applicants with lower GPAs will be given preference in this case.

To the extent reasonable possible, you shall pay all scholarships directly to the educational institution and such educational institution shall agree to use the funds to defray expenses or to pay the funds (or a portion thereof) to the recipient only if the recipient is enrolled at such educational institution and his standing at such educational institution is consistent with the purposes and conditions of the scholarship. In the event the foregoing conditions cannot reasonable be met, you shall require the recipient to furnish you with a report of the courses taken and grades received in each academic period. The report must be verified by the educational institution and must be obtained at least once a year. Upon completion of a recipients study at an educational institution, a final report shall also be obtained.

In the event the reports submitted (including the failure to submit such reports) indicates that all or any part of the scholarship is not being used in furtherance of the purposes of such scholarship, you shall investigate the facts. While conducting your investigation you shall withhold further payments to the extent possible until any delinquent reports are

submitted. In the event you determine that any part of the scholarship has been used for improper purposes, you shall take all reasonable and appropriate steps to recover the funds and shall withhold any further payments.

You shall retain records pertaining to all scholarships to individual and these records shall include the following:

1. Information used to evaluate the qualifications of potential grantees;
2. Identification of the grantees (including any relationship of any grantee to the private foundation, whether the grantee is a disqualified person, etc.), the amount and purpose of each grant; and
3. All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if the standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations